

FILED

MAY 20 2015

**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR
AGENCY ACTION OF EP ENERGY E&P
COMPANY, L.P. FOR AN ORDER POOLING
ALL INTERESTS, INCLUDING THE
COMPULSORY POOLING OF THE INTERESTS
OF ARGO ENERGY PARTNERS, LTD., DUSTY
SANDERSON, HUNT OIL COMPANY, KKREP,
LLC, AND J.P. FURLONG CO., IN THE
DRILLING UNIT ESTABLISHED FOR THE
PRODUCTION OF OIL, GAS AND
ASSOCIATED HYDROCARBONS FROM THE
LOWER GREEN RIVER-WASATCH
FORMATIONS COMPRISED OF ALL OF
SECTION 2, TOWNSHIP 3 SOUTH, RANGE 5
WEST, U.S.M., DUCHESNE COUNTY, UTAH

**MOTION FOR
LEAVE TO FILE CORRECTED
EXHIBIT "W" AND SUPPLEMENT
AND CORRECT THE RECORD**

Docket No. 2015-013

Cause No. 139-130

EP Energy E&P Company, L.P. ("EPE"), acting by and through its attorneys, MacDonald & Miller Mineral Legal Services, PLLC, and pursuant to Utah Admin. Code Rule R641-105-300, hereby respectfully requests the Board of Oil, Gas and Mining (the "Board") for leave to file Corrected Exhibit "W" attached hereto and by this reference incorporated herein and to correct and supplement the record in this Cause to reflect that the average weighted fee royalty for the Section 2 drilling unit at issue in this Cause is 17.353250%, and not 17.326052%.

As evidenced by the pleadings on file, and exhibits admitted into evidence and the testimony presented at hearing, EPE believed and reported that the interests of Broughton

Petroleum, Inc. ("Broughton") and T.C. Craigshead & Company ("Craigshead") in Tract 6 were unleased but subject to joint operating agreements providing for a 1/6 royalty on such unleased interests. The average weighted fee royalty reflected on the Exhibit "W" admitted into evidence was calculated on that basis. Both Broughton and Craigshead participated in the drilling of the Neihart 2-2C5 Well.

However, post-hearing, EPE has confirmed that Craigshead's interest actually stems from an oil and gas lease covering the unleased interest of Red River Royalties, Inc. in Tract 6 (0.976562%) which provides for a 25% royalty. In addition, while Broughton does own an unleased interest in Tract 6 (0.976562%), it is subject to a non-participating 25% royalty interest vested in the heirs or devisees of Mark A. Chapman. As a consequence, the average weighted fee royalty requires revision to account for these royalties. Corrected Exhibit "W" attached hereto reflects that revision, adjusting the average weighted fee royalty slightly higher from 17.326052% to 17.353050%. The record in this matter should be supplemented and corrected accordingly.

No prejudice should result from this Motion. In fact, in addition to insuring that the *correctly* calculated average weighted fee royalty is applied, it benefits the parties deemed "nonconsenting owners" in this Cause as the royalty payable to them will increase; albeit slightly.

As a consequence, and for the reasons outlined above, EPE respectfully requests this Motion for Leave be granted, the attached Corrected Exhibit "W" be accepted into evidence, and the record in this Cause be supplemented and corrected accordingly. A proposed form of order is also attached hereto on the presumption this Motion will be granted.

Respectfully submitted this 20th day of May, 2015.

**MACDONALD & MILLER
MINERAL LEGAL SERVICES, PLLC**

By: 

Frederick M. MacDonald, Esq.

Attorneys for EP Energy E&P
Company, L.P.

CORRECTED EXHIBIT "W"

Section 2 Average Weighted Fee Royalty Calculations

<u>Tracts</u>			
Tract	Land Description	Acreage	
1	E½ of Lot 1	19.97	
2	W½ of Lot 1; Lots 2 and 3; and N½S½NE¼ <u>less</u> Tract 4 below	135.99	
3	Lot 4; SW¼NW¼; W½SE¼; and SE¼SW¼	199.58	(Tribally owned; not included in AWR)
4	East 14 rods of the N½S½NE¼	3.5	
5	A 5.81-acre metes & bounds tract in the SE¼NW¼	5.81	
6	SW¼SW¼SE¼; and all of the "hill and bench lands" in the SE¼NW¼ and NE¼SW¼	74.04	
7A	Beg. at the SE corner of the SW¼SE¼; thence West 40 rods; thence North 40 rods, thence West 40 rods; thence North 80 rods; thence Southeast to POB	20	
7B	A 4.84-acre metes & bounds tract in the NW¼SE¼ and N½SW¼SE¼	4.84	
7C	A 0.62-acre metes & bounds tract in the S½SW¼SE¼	0.62	
8	S½S½NE¼; and all of the "valley lands" in the SE¼NW¼ <u>less</u> Tract 5 above, NE¼SW¼, NW¼SE¼ and northern 4 rods of the SW¼SE¼	85.23	
9	A 9.46-acre metes & bounds tract in the SW¼SE¼	9.46	
10	A 6.31-acre metes & bounds tract in the E½SE¼	6.31	
11	E½SE¼ <u>less</u> Tract 10 above	73.69	
	Total Acreage =	639.04	
	(less Tribal Acreage)	<199.58>	
	Applicable Revised Total Acreage =	439.46	

Original Tract Participation Factor			
Tract	% Leased x Acreage =	Original TPF	
1	$100\% \times 19.97/439.46 =$	4.544213%	
2	$100\% \times 135.99/439.46 =$	30.944796%	
4	$100\% \times 3.5/439.46 =$	0.796432%	
5	$100\% \times 5.81/439.46 =$	1.322077%	
6	$99.023438\% \times 74.04/439.46 =$ (0.009766% unleased)	16.683419%	(unleased % owned equally by Argo and Mr. Sanderson, parties to be compulsory pooled)
7A	$100\% \times 20/439.46 =$	4.551040%	
7B	$100\% \times 4.84/439.46 =$	1.101352%	
7C	$100\% \times 0.62/439.46 =$	0.141082%	
8	$100\% \times 85.23/439.46 =$	19.394257%	
9	$100\% \times 9.46/439.46 =$	2.152642%	
10	$100\% \times 6.31/439.46 =$	1.435853%	
11	$100\% \times 73.69/439.46 =$	16.768307%	
	Total =	99.835470%	
Equalized Tract Participation Factor			
Tract		Equalized TPF	
1	$4.544213\%/99.83547\% =$	4.551702%	
2	$30.944796\%/99.83547\% =$	30.995793%	
4	$0.796432\%/99.83547\% =$	0.797745%	
5	$1.322077\%/99.83547\% =$	1.324256%	
6	$16.683419\%/99.83547\% =$	16.710913%	
7A	$4.551040\%/99.83547\% =$	4.558540%	
7B	$1.101352\%/99.83547\% =$	1.103167%	
7C	$0.141082\%/99.83547\% =$	0.141315%	
8	$19.394257\%/99.83547\% =$	19.426219%	
9	$2.152642\%/99.83547\% =$	2.156190%	
10	$1.435853\%/99.83547\% =$	1.438219%	
11	$16.768307\%/99.83547\% =$	16.795941%	
	Total =	100%	

Equalized Average Weighted Fee Royalty			
Tract	Mineral Ownership x Royalty Rate x Equalized TPF =	Weighted Royalty	
1	50% x 1/6 x 4.551702% = 50% x 1/5 x 4.551702% =	0.379308% 0.455170%	
2	12.5% x 3/16 x 30.995793% = 87.5% x 1/6 x 30.995793% =	0.726464% 4.520220%	
4	100% x 1/6 x 0.797745% =	0.132957%	
5	100% x 1/6 x 1.324256% =	0.220709%	
6	1.953125% x 25% x 16.710913% = 6.040283% x 20% x 16.710913% = 14.965122% x 3/16 x 16.710913% = 2.380952% x 1/8 x 16.710913% = 73.683956% x 1/6 x 16.710913% =	0.081596% 0.201877% 0.468902% 0.049735% 2.052210%	(Broughton and Craighead added) (includes Hunt Oil/ KKREP/Furlong Lease)
7A	8.657813% x 1/5 x 4.558540% = 91.342187% x 1/6 x 4.558540% =	0.078934% 0.693978%	
7B	9.52381% x 1/8 x 1.103167% = 90.47619% x 1/6 x 1.103167% =	0.013133% 0.166351%	
7C	100% x 1/6 x 0.141315% =	0.023552%	
8	100% x 1/6 x 19.426219% =	3.237703%	
9	50% x 1/5 x 2.156190% = 50% x 3/16 x 2.156190% =	0.215619% 0.202143%	
10	50% x 1/5 x 1.438219% = 25% x 1/6 x 1.438219% = 25% x 3/16 x 1.438219% =	0.143822% 0.059926% 0.067417%	
11	50% x 1/5 x 16.768307% = 25% x 1/6 x 16.768307% = 25% x 3/16 x 16.768307% =	1.676831% 0.698679% 0.786014%	
	AVERAGE FEE WEIGHTED ROYALTY =	17.353250%	

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DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF EP ENERGY E&P COMPANY, L.P. FOR AN ORDER POOLING ALL INTERESTS, INCLUDING THE COMPULSORY POOLING OF THE INTERESTS OF ARGO ENERGY PARTNERS, LTD., DUSTY SANDERSON, HUNT OIL COMPANY, KKREP, LLC, AND J.P. FURLONG CO., IN THE DRILLING UNIT ESTABLISHED FOR THE PRODUCTION OF OIL, GAS AND ASSOCIATED HYDROCARBONS FROM THE LOWER GREEN RIVER-WASATCH FORMATIONS COMPRISED OF ALL OF SECTION 2, TOWNSHIP 3 SOUTH, RANGE 5 WEST, U.S.M., DUCHESNE COUNTY, UTAH

**ORDER
GRANTING LEAVE TO
FILE CORRECTED EXHIBIT "W"
AND SUPPLEMENT AND
CORRECT THE RECORD**

Docket No. 2015-013

Cause No. 139-130

The Board of Oil, Gas and Mining, having fully considered EP Energy E&P Company, L.P.'s ("EPE's") Motion for Leave to File Corrected Exhibit "W" and Supplement and Correct the Record filed on May 20, 2015, and finding good cause therefor, hereby grants said Motion and authorizes and accepts the filing of Corrected Exhibit "W" attached to the Motion. In addition, the record in this Cause shall be supplemented and corrected to reflect that the average weighted fee royalty in the drilling unit comprised of captioned Section 2 at issue in this Cause is 17.353250%.

For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

Dated this _____ day of May, 2015.

**STATE OF UTAH
BOARD OF OIL, GAS AND MINING**


By: _____
Ruland J. Gill, Jr., Chairman

1100.16

CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of May, 2015, I caused a true and correct copy of the foregoing Motion for Leave to File Corrected Exhibit "W" and Supplement and Correct the Record, with a proposed Order Granting Leave, to be sent electronically (where e-mail addresses are indicated) and/or mailed, postage pre-paid, to the following:

Stephen F. Alder, Esq. Assistant Attorney General Attorney for the Division of Oil, Gas and Mining 1594 West North Temple, Suite 300 P.O. Box 145801 Salt Lake City, UT 84114-5801 E-mail: stevealder@utah.gov	Michael S. Johnson, Esq. Assistant Attorney General Attorney for the Board of Oil, Gas and Mining 1594 West North Temple, Suite 300 P.O. Box 145801 Salt Lake City, UT 84114-5801 E-mail: mikejohnson@utah.gov
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